

Santa Clara County Economic Forecast

Santa Clara County is currently the 4th ranking county in the state in terms of population and non-farm employment. The region is the epicenter of California's technology economy which peaked in early 2000, but has undergone a major consolidation since.

The unemployment rate more than quadrupled in 2 years, from 2 percent to 8.4 percent in 2002. The internet bubble that broke in late 2000 and 2001 produced a major economic fall-out, manifesting most severely in the San Francisco, San Mateo, and Santa Clara Counties.

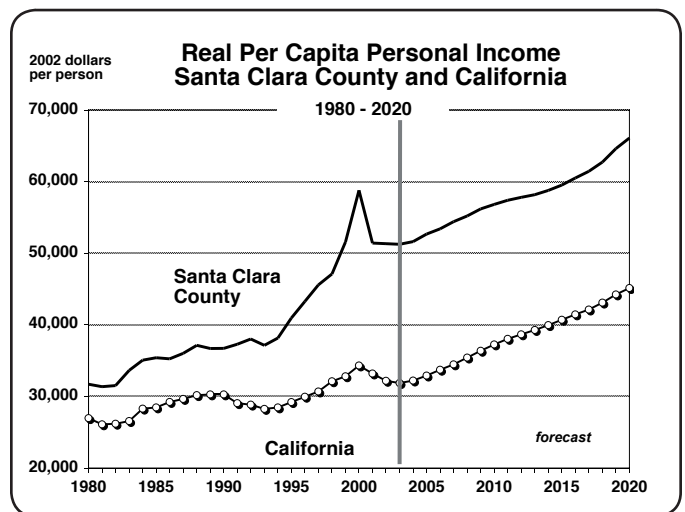
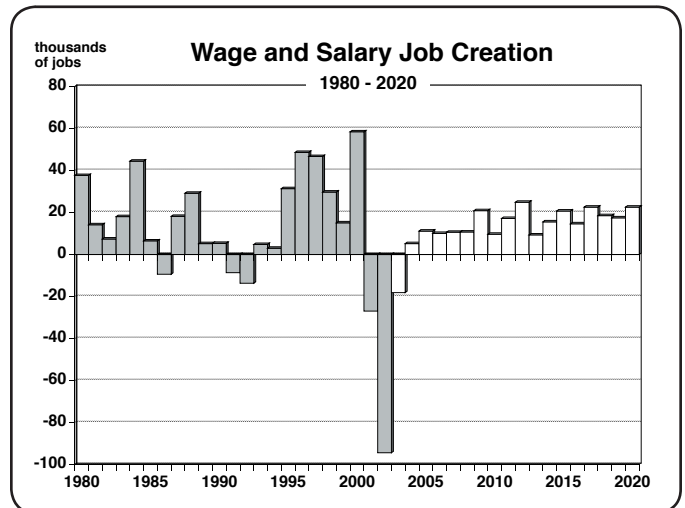
The county experienced a significant collapse of its labor markets in 2001 and 2002. Last year, nearly 100,000 non-farm jobs were lost, mostly in the manufacturing and the information technology (IT) sectors.

Commercial vacancy spiked sharply in San Jose, jumping into the 20 percent range, and fewer new homes were built, exacerbating an already constrained supply of housing in the county.

The worst appears to be over however. IT orders are stabilizing, especially for semi-conductors globally. The telecommunications industry appears to have shaken out most of the excess inventory and bookings are rising again.

Labor markets are still weak, and the unemployment rate is likely to remain in the 8 to 9 percent range in 2003. However, the education, healthcare, and leisure and hospitality services sectors have all stabilized and more jobs are forecast in 2004.

Home building has also jumped more than 20 percent in 2003. Apartment unit permits are up 50 percent.

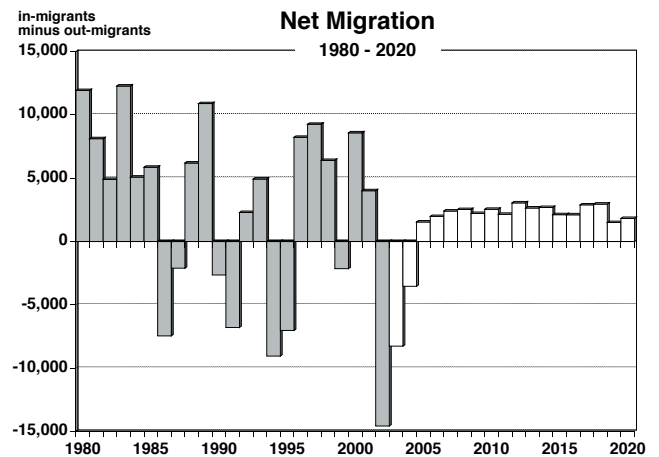
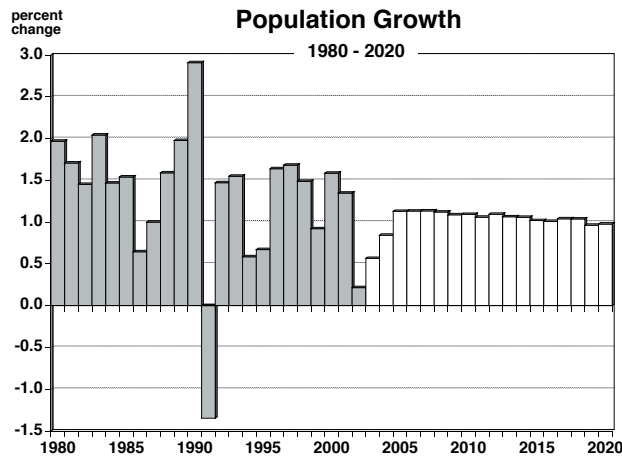


Forecast Highlights

- Job growth remains depressed in 2003. The forecast has job growth turning positive in 2004, but remaining sluggish for the next several years. The average annual rate of job growth for the next 5 years is 1.1 percent year. High home prices and the lack of housing keep labor market growth modest in Santa Clara County.
- Employment in services will lead the labor market economic recovery in 2004 and 2005. The public sector will add jobs as well, due principally to the need for jobs in education. Healthcare services will also be in demand over the long term. The 5-year average annual rates of growth forecast for the principal sectors are as follows:

Construction:	1.8
Services:	1.7
Government:	1.0
Retail Trade:	1.6
Finance:	1.3
Manufacturing:	-1.2

- Population growth slows, due principally to the lack of and unaffordability of housing in the region. Compound annual growth in the 2003 to 2008 period averages 1.1 percent per year, down from 1.4 percent between 1995 and 2000. The population growth slowdown is principally led by out-migration of population to regions with more affordable housing, such as Stanislaus and San Joaquin Counties.

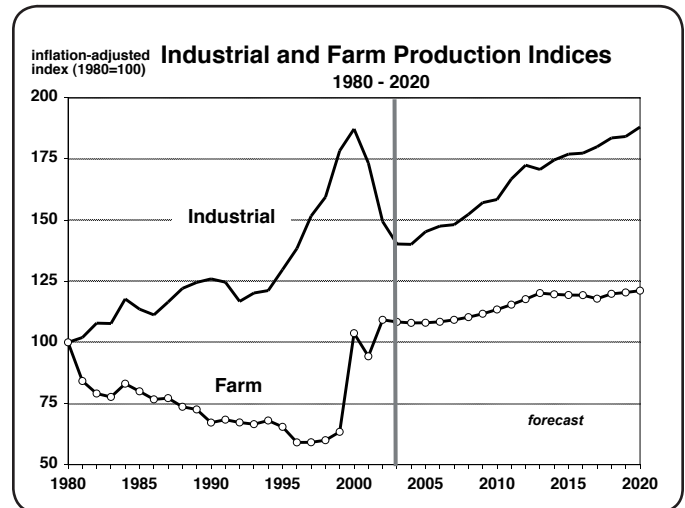
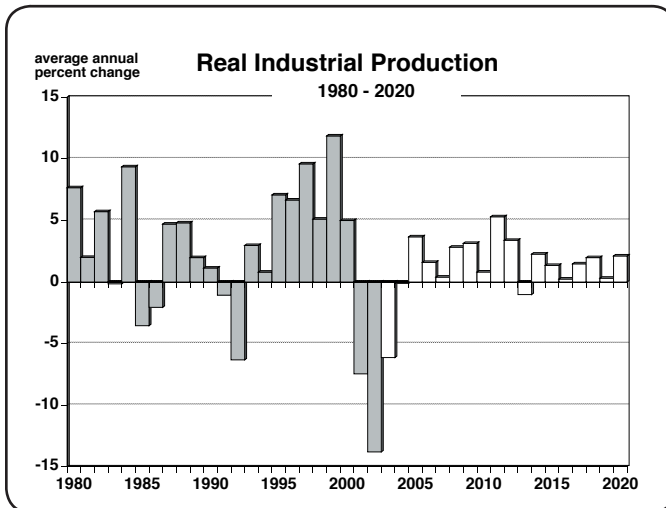


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1995-2002 History, 2003-2020 Forecast

	July Population (people)	Net Migration (people)	Registered Vehicles (thousands)	Households (thousands)	New Homes Permitted (homes)	Retail Sales (billions)	Personal Income (billions)	Real Per Capita Income (dollars)	Farm Crop Value (millions)	Industrial Production (billions)
1995	1,573,500	-7,025	1,309	538.1	3,484	\$13.5	\$56.2	\$40,950	\$177.4	\$23.9
1996	1,599,300	8,231	1,348	541.4	7,501	\$14.7	\$61.4	\$43,275	\$162.9	\$25.5
1997	1,626,200	9,261	1,305	544.4	8,810	\$15.6	\$66.9	\$45,578	\$165.8	\$28.0
1998	1,650,400	6,402	1,387	551.5	7,526	\$16.0	\$71.1	\$47,106	\$170.5	\$29.4
1999	1,665,600	-2,145	1,402	559.2	7,010	\$17.6	\$80.4	\$51,568	\$184.6	\$32.9
2000	1,692,000	8,588	1,454	564.7	7,054	\$20.5	\$96.2	\$58,793	\$311.8	\$34.6
2001	1,714,800	4,017	1,469	570.6	5,960	\$18.2	\$88.2	\$51,414	\$292.9	\$32.0
2002	1,718,500	-14,564	1,472	576.6	4,513	\$17.0	\$90.7	\$51,333	\$348.6	\$27.6
2003	1,728,223	-8,262	1,470	580.9	5,270	\$18.2	\$93.0	\$51,242	\$353.5	\$25.9
2004	1,742,800	-3,535	1,476	586.0	5,861	\$19.1	\$96.8	\$51,620	\$360.9	\$25.9
2005	1,762,477	1,545	1,478	591.6	5,449	\$20.2	\$102.3	\$52,668	\$369.8	\$26.8
2006	1,782,428	1,984	1,482	596.8	5,570	\$21.0	\$107.5	\$53,409	\$380.2	\$27.2
2007	1,802,652	2,410	1,485	602.2	5,281	\$21.8	\$113.2	\$54,410	\$391.6	\$27.3
2008	1,822,852	2,531	1,485	607.3	4,896	\$22.6	\$118.8	\$55,207	\$404.5	\$28.1
2009	1,842,672	2,219	1,489	612.0	4,306	\$23.4	\$125.0	\$56,198	\$419.0	\$29.0
2010	1,862,810	2,545	1,492	616.1	4,179	\$24.1	\$131.0	\$56,821	\$435.9	\$29.2
2011	1,882,522	2,152	1,496	620.1	3,946	\$24.9	\$137.0	\$57,397	\$454.6	\$30.8
2012	1,903,117	3,052	1,504	623.9	3,815	\$25.8	\$143.1	\$57,810	\$475.3	\$31.8
2013	1,923,358	2,652	1,513	627.6	4,356	\$26.7	\$149.3	\$58,178	\$498.0	\$31.5
2014	1,943,682	2,686	1,517	631.7	4,774	\$27.5	\$156.2	\$58,775	\$508.0	\$32.2
2015	1,963,480	2,119	1,528	636.3	4,804	\$28.6	\$163.6	\$59,525	\$519.0	\$32.7
2016	1,983,289	2,111	1,538	640.9	4,825	\$29.9	\$172.2	\$60,504	\$531.7	\$32.7
2017	2,003,913	2,896	1,553	645.6	4,205	\$31.1	\$181.2	\$61,437	\$538.9	\$33.2
2018	2,024,705	2,957	1,570	649.6	3,868	\$32.5	\$191.6	\$62,729	\$561.5	\$33.9
2019	2,044,199	1,504	1,587	653.3	3,945	\$33.7	\$204.1	\$64,611	\$577.7	\$34.0
2020	2,064,182	1,821	1,605	657.0	4,020	\$35.0	\$215.6	\$66,092	\$594.6	\$34.7

- Real per capita income dropped sharply in 2001. This trend is forecast to reverse in 2004, and incomes will rise as the labor markets and the capital markets stabilize. Between 1997 and 2002, real per capita personal income increased an average of 2.4 percent per year. Real per capita income is forecast to rise an average of 1.5 percent per year between 2003 and 2008.
- The median home price rises an average of 3.3 percent per year, adjusted for inflation. This is a sharp decline from the unsustainable 7.4 percent average real appreciation per year between 1997 and 2002.



Total Wage & Salary (000)	Farm (000)	Construction (000)	Mining (000)	Manufacturing (000)	Transportation, Utilities (000)	Wholesale, Retail Trade (000)	Finance, Real Estate (000)	Services (000)	Government (000)
-----employment (jobs)-----									
836.4	4.5	28.7	0.1	231.2	24.0	166.1	28.7	265.3	87.8
885.0	5.1	32.7	0.1	245.9	25.4	174.6	30.0	283.9	87.4
931.7	5.1	37.3	0.1	258.2	27.2	182.7	30.6	301.8	88.5
961.5	5.2	41.7	0.1	261.3	28.3	186.4	31.8	317.8	88.9
976.6	5.3	45.5	0.1	250.7	28.3	190.0	32.3	332.9	91.4
1,035.0	5.0	49.0	0.2	261.9	29.4	196.4	32.3	366.4	94.5
1,008.1	4.6	48.6	0.2	241.1	30.2	193.0	33.4	362.5	94.6
913.8	4.5	42.9	0.2	203.6	27.4	181.5	32.2	323.6	97.9
895.7	4.6	43.8	0.2	183.7	27.9	182.9	31.7	323.1	97.8
900.9	4.7	45.0	0.2	177.5	28.4	185.0	31.7	330.1	98.3
912.1	4.8	45.9	0.2	179.3	28.8	187.5	32.1	334.4	99.2
922.2	4.8	46.9	0.2	175.9	29.6	190.5	32.7	341.4	100.3
932.8	4.9	47.6	0.2	171.2	30.2	194.0	33.2	350.0	101.5
943.6	4.9	47.9	0.1	172.9	30.7	198.0	33.8	352.2	103.0
964.5	5.0	48.7	0.1	174.3	31.3	202.9	34.3	363.4	104.4
974.2	4.9	49.2	0.1	170.0	32.0	208.5	34.8	368.6	106.1
991.3	5.0	49.5	0.1	175.8	32.6	214.8	35.4	370.4	107.6
1,016.2	4.8	50.4	0.1	177.1	33.2	222.2	35.9	383.3	109.2
1,025.6	4.7	51.0	0.1	169.8	33.6	230.3	36.5	388.7	110.7
1,041.1	4.6	51.5	0.1	170.1	34.0	239.2	37.0	392.4	112.2
1,061.9	4.7	52.2	0.1	169.5	34.5	248.8	37.5	400.9	113.8
1,076.5	4.8	52.9	0.1	165.9	34.9	259.2	38.0	405.4	115.3
1,099.1	4.7	52.0	0.1	163.0	35.5	270.7	38.5	417.8	116.8
1,117.6	4.7	50.5	0.1	160.2	36.1	283.2	39.1	425.4	118.4
1,135.1	4.6	49.7	0.1	155.3	36.8	296.9	39.7	432.1	120.0
1,157.7	4.6	47.3	0.1	154.3	37.4	311.9	40.3	440.2	121.6

